

# Educational Improvement Tax Credit Program (EITC)

## EITC Program History

- The EITC program was established into law in 2001, making Pennsylvania the first state to pass an education tax credit aimed at corporations.
- EITC Budget – Then and Now:
  - 2001: \$30 million
  - 2016: \$125 million

## EITC Purpose

- The EITC program provides tax credits to participating businesses that contribute to an EITC approved non-profit organization.
- Business contributions are then used by participating non-profit educational organizations to serve students in Pre-K through 12<sup>th</sup> grade.

## EITC – Types of Organizations

- Pre-K Scholarship Organizations (\$12.5 Million)
- Scholarship Organizations (\$75 Million)
- Educational Improvement Organizations (\$37.5 Million)

## Business – Eligibility & Tax Credit Incentive

- Any business that has tax liabilities within the Commonwealth of Pennsylvania is eligible to apply to the EITC program.
- Businesses contributing through the EITC program can earn upwards of a 90% tax credit on their contribution amount depending upon the number of years committed.
- Business may receive 100% tax credit on first \$10,000 contributed to a PKSO.

## Application Process – Business Contributor

- Recurring Applicants:
  - May apply starting May 15<sup>th</sup>
- Initial Applicants:
  - May apply on July 1<sup>st</sup>
- Must include:
  - Amount of contribution
  - Type of tax credit requested
  - Number of years of commitment

## Approval Timeline & Next Steps

- Approval Timeline
  - The timeline varies based upon the budget.
- Next Steps:
  - Business receives approval letter
  - Once approved, the business makes its contributions directly to the approved organization(s) of its choosing.
  - All contributions must be made within 60 days of date on approval letter.
  - The business has an additional 30 days to report back to DCED with proof of contribution

# Opportunity Scholarship Tax Credit Program (OSTC)



## OSTC Program History & Budget

- The Opportunity Scholarship Tax Credit program was established into law as part of the tax code for FY 12-13.
- FY 2016-2017 OSTC Budget:
  - \$50 Million

## OSTC Purpose

- OSTC provides funding to approved Opportunity Scholarship Organizations to distribute funding in the form of scholarship awards to eligible students and families residing within the attendance boundary of a low-achieving public school.
- The scholarship awards allow eligible students to attend a private school or public school outside of their district of residence.

## Business – Eligibility & Tax Credit Incentive

- Any business that has tax liabilities within the Commonwealth of Pennsylvania is eligible to apply to the OSTC program.
- **One-Year Commitment: 75% Tax Credit**
- **Two-Year Commitment: 90% Tax Credit**

## Application Process – Business Contributor

- Recurring Applicants:
  - May apply starting May 15<sup>th</sup>
- Initial Applicants:
  - May apply on July 1<sup>st</sup>
- Must include:
  - Amount of contribution
  - Number of years of commitment
- Once approved, Business has 60 days from date of approval letter to distribute contributions.

## EITC & OSTC Competitiveness

- Tax credits are often exhausted on May 15<sup>th</sup>, leaving none left for initial applicants.
- Due to both the competitiveness and success of the program, the legislature has increased EITC by \$25 million in FY 2016-17.

FISCAL YEAR	PKSO	SO	EIO	TOTAL
2015-16	\$10	\$60	\$30	\$100
2016-17	\$12.5	\$75	\$37.5	\$125

- Over the last two fiscal years, the OSTC tax credits have been exhausted on the same day the application opens.

## Message to Applicants

- It is your role to advocate for the DCED programs you utilize!
- EITC & OSTC Legislation
  - Representative Jim Christiana (R., Washington County, Beaver County)
    - House Bill 1606
  - Representative Mike Turzai (R., Allegheny County)
    - October 11, 2016 – proposed new bill to increase EITC & OSTC to \$250 million

## Where to look for help

- DCED website:  
<http://dced.pa.gov>
- Customer Service Center: 1-866-466-3972
- Jim O'Donnell, Director of Tax Credit Division
  - Phone: 717.720.1420 | [jaodonnell@pa.gov](mailto:jaodonnell@pa.gov)
- Ali Doyle, Economic Development Consultant
  - Phone: 412.565.5004 | [aldoyle@pa.gov](mailto:aldoyle@pa.gov)

Thank you

Questions?

